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ZERO2IPO HOLDINGS INC.

清科創業控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1945)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2021

The board (the “**Board**”) of directors (the “**Directors**”) of Zero2IPO Holdings Inc. (the “**Company**”, together with its subsidiaries and consolidated affiliated entities, the “**Group**”) is pleased to announce the audited consolidated annual results of the Group for the year ended December 31, 2021 (the “**Reporting Period**”), together with the comparative figures for the year ended December 31, 2020 are as follows. The consolidated financial statements for the year ended December 31, 2021 have been audited by PricewaterhouseCoopers, the independent auditor of the Company (the “**Auditor**”) in accordance with Hong Kong Standards on Auditing. The results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

In this announcement, “we”, “us”, “our” and “Zero2IPO” refer to the Company and where the context otherwise requires, the Group.

FINANCIAL HIGHLIGHTS OF ANNUAL RESULTS

	For the Year Ended December 31,		Change
	2021	2020	
	RMB’000	RMB’000	
Revenue	207,893	178,465	16.5%
Profit before income tax	18,054	39,126	(53.9%)
Profit for the year	11,467	31,448	(63.5%)
Non-HKFRS measure ⁽¹⁾			
Adjusted net profit	33,727	50,171	(32.8%)

Note:

(1) See “Management Discussion and Analysis – Adjusted net profit (non-HKFRS measure)”.

* For identification purpose only

We have experienced a steady growth in 2021. In 2021, our revenue was RMB207.9 million, representing a 16.5% increase from RMB178.5 million in 2020.

We highly value our employees and granted restricted share units pursuant to our Post-IPO RSU Scheme adopted in 2020 to certain employees during 2021 to motivate our employees and attract top-notch talents. We incurred share-based compensation expenses of RMB27.4 million in 2021.

We place great emphasis on the long-term development of our Company and remain focused on enhancing and innovating our services and technologies. In 2021, we committed significant resources to upgrading our existing services and expanding our business outreach. Among others, we rolled out PEDATA MAX, an upgraded version of our PEdata Database; and devoted in the exploration and development of our investment banking business, including introduction of our Zero2IPO Securities mobile application. As a result of the foregoing, we incurred an aggregate expenses of approximately RMB26.0 million in 2021, including the research and development expenses in relation to PEDATA MAX and Zero2IPO Securities, and the upfront expenses in connection with the development of our investment banking business.

Due to regional COVID-19 resurgence, our offline training courses and offline industry events originally scheduled to be held in 2021 in certain areas in China, such as Beijing, Shanghai, Shenzhen, Changsha, Chongqing and Sanya, were postponed to next year, resulting in an impact of approximately RMB20.0 million on revenue.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended December 31, 2021

		Year ended December 31,	
		2021	2020
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers	4	207,893	178,465
Cost of revenue	5	(108,772)	(74,890)
Gross profit		99,121	103,575
Selling and marketing expenses	5	(17,966)	(16,504)
General and administrative expenses	5	(56,008)	(39,493)
Research and development expenses	5	(17,181)	(8,873)
Net impairment losses on financial and contract assets		(4,212)	(1,043)
Other income		8,459	2,123
Other gain – net		5,733	1,136
Operating profit		17,946	40,921
Finance income		703	118
Finance costs		(1,090)	(1,369)
Finance costs – net		(387)	(1,251)
Share of net profit/(losses) of associates accounted for using the equity method		495	(544)
Profit before income tax		18,054	39,126
Income tax expense	6	(6,587)	(7,678)
Profit for the year		11,467	31,448
Profit attributable to:			
Owners of the Company		11,467	31,448
Non-controlling interests		–	–
Other comprehensive (loss)/income, net of tax			
Items that will not be reclassified to profit or loss:			
– Currency translation differences		(8,328)	20
Total comprehensive income for the year		3,139	31,468
Total comprehensive income attributable to:			
Owners of the Company		3,139	31,468
Non-controlling interest		–	–
Earnings per share for profit attributable to owners of the Company			
Basic and diluted (RMB per share)	7	0.04	0.12

CONSOLIDATED BALANCE SHEET

as at December 31, 2021

		As at December 31,	
		2021	2020
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		23,221	24,900
Intangible assets		3,441	143
Investments accounted for using the equity method		2,150	456
Deferred income tax assets		6,490	8,329
Other receivables		4,789	2,921
		<hr/>	<hr/>
Total non-current assets		40,091	36,749
		<hr/>	<hr/>
Current assets			
Other receivables		2,627	955
Accounts receivable	10	40,926	17,417
Contract assets		–	9,058
Prepayments and other current assets		11,737	5,736
Financial assets measured at fair value through profit or loss	9	122,563	84,882
Cash and cash equivalents	9	427,861	403,059
		<hr/>	<hr/>
Total current assets		605,714	521,107
		<hr/>	<hr/>
Total assets		645,805	557,856
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED BALANCE SHEET (CONTINUED)*as at December 31, 2021*

		As at December 31,	
		2021	2020
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Deferred income		10,839	11,196
Lease liabilities		2,349	8,272
Deferred income tax liabilities		51	17
		<hr/>	<hr/>
Total non-current liabilities		13,239	19,485
		<hr/>	<hr/>
Current liabilities			
Accounts payable	11	1,353	3,912
Other payable		22,955	31,954
Income tax payable		7,607	13,623
Contract liabilities		73,797	45,119
Lease liabilities		11,715	10,024
Other current liabilities		4,428	2,707
		<hr/>	<hr/>
Total current liabilities		121,855	107,339
		<hr/>	<hr/>
Total liabilities		135,094	126,824
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the Company			
Share capital		206	196
Share premium		435,952	355,819
Other reserves		34,331	44,075
Retained earnings		40,222	30,942
		<hr/>	<hr/>
Total equity		510,711	431,032
		<hr/>	<hr/>
Total equity and liabilities		645,805	557,856
		<hr/>	<hr/>

NOTES:

1 General information

The Company was incorporated in the Cayman Islands on August 1, 2019, as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company is an investment holding company.

The Group are principally engaged in providing integrated equity investment service, namely data services, marketing services, investment banking services (previously called consulting services) and training services (collectively, the “**Business**”) in the People's Republic of China (the “**PRC**”).

Mr. Ni Zhengdong (倪正東) is the controlling shareholder of the Group.

On December 30, 2020, the Company completed the initial public offering of its shares (“**Initial Public Offering**” or “**IPO**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with issuance of 40,000,000 new shares at an offer price of HKD11.00 per share. The Over-allotment Option as part of the Company's IPO was fully exercised on January 20, 2021, in respect of an aggregate of 6 million shares of the Company being issued at a price of HKD11.00 per share. The normal value of the Company's share is USD0.0001 per share.

During the fourth quarter of the year ended December 31, 2021, the Company repurchased 1,855,600 ordinary shares from the market, of which 725,200 shares had been cancelled as at December 31, 2021.

2 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss (“**FVPL**”).

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2021:

- Interest Rate Benchmark Reform – Phase 2 – amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16;

The Group also elected to adopt the following amendments early:

- Covid-19-Related Rent Concessions beyond 30 June 2021.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards, amendments not yet adopted

Certain new standards, amendments to standards and interpretations have been published that are not mandatory for the year ended December 31, 2021 and have not been early adopted by the Group. These are not expected to have a significant effect on the consolidated financial statements of the Group in the current or future reporting periods and on foreseeable future transactions.

3 Segment information

The Group's business activities are mainly in data services, marketing services, investment banking services and training services and are regularly reviewed and evaluated by the chief operating decision maker (the "CODM"). As a result of this evaluation, the Group is organised into four reportable segments according to the revenue streams of the Group, and the revenue streams of the Group are data services, marketing services, investment banking services and training services.

The CODM assesses the performance of the operating segments based on the gross profit. The reconciliation of gross profit to profit before income tax is shown in the consolidated statement of comprehensive income. There were no separate segment assets and segment liabilities information provide to the CODM, as the CODM does not use this information to allocate resources or to evaluate the performance of the operating segments.

The segment results for the years ended December 31, 2021 and 2020 are as follows:

	Data services RMB'000	Marketing services RMB'000	Investment banking services RMB'000	Training services RMB'000	Total RMB'000
2021					
Revenue	55,301	83,363	28,081	41,148	207,893
Cost of revenue	(27,538)	(32,605)	(18,454)	(30,175)	(108,772)
Gross profit	27,763	50,758	9,627	10,973	99,121
2020					
Revenue	51,635	85,981	19,635	21,214	178,465
Cost of revenue	(19,444)	(30,457)	(9,058)	(15,931)	(74,890)
Gross profit	32,191	55,524	10,577	5,283	103,575

4 Revenue from contracts with customers

An analysis of the Group's revenue by category for the years ended December 31, 2021 and 2020 was as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Revenue from contracts with customers		
<i>Recognised over time</i>		
Data services	22,801	19,539
Marketing services	83,363	85,981
Investment banking services	2,434	1,016
Training services	30,345	13,243
<i>Recognised at a point in time</i>		
Data services	32,500	32,096
Investment banking services	25,647	18,619
Training services	10,803	7,971
Total	207,893	178,465

5 Expenses by nature

The details of cost of revenue, selling and marketing expenses, general and administrative expenses and research and development expenses are as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Employee benefit expenses (including share-based compensation expenses)	126,791	63,706
Offline event costs	25,809	15,255
Professional service fee	13,331	6,512
Depreciation and amortisation	12,462	11,654
Advertisement	4,758	4,810
Travel expenses	4,632	3,597
Office expenses	3,215	1,824
Auditor's remuneration	2,400	1,280
Utilities and property management fee	1,766	1,680
Listing expenses	—	24,964
Others	4,763	4,478
Total	199,927	139,760

6 Income tax expenses

Income tax expenses in the consolidated statement of comprehensive income represents:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Current income tax		
Current tax on profits for the year	4,714	10,792
Deferred income tax		
Changes in deferred tax assets/liabilities	1,873	(3,114)
Income tax expense	<u>6,587</u>	<u>7,678</u>

7 Earnings per share

7a Basic

The basic earnings per share is calculated based on the profit attributable to equity holders of the Company for the year ended December 31, 2021 and 2020 divided by the weighted average number of shares in issued during the year.

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Profit attributable to owners of the Company (RMB'000)	11,467	31,448
Weighted average number of ordinary shares in issue (thousand) (i)	308,612	260,222
Basic earnings per share (RMB per share)	<u>0.04</u>	<u>0.12</u>

- (i) The weighted average number of ordinary shares in issue used for the calculation of basic earnings per share for the year ended December 31, 2020 have been retrospectively adjusted for the capitalization issue. The ordinary shares which were issued and allotted by the Company in connection with the Reorganization in 2020, had been treated as if these shares were in issue since the beginning. The issuance of the IPO in December 2020, the new shares of the Company issued on August 16, 2021 and September 16, 2021 pursuant to the Post-IPO RSU Scheme, and the purchase of shares in October 2021, November 2021 and December 2021 were accounted at time portion basis.

7b Diluted

For the years ended December 31, 2021 and 2020, there were no dilutive potential ordinary shares on the Company outstanding. Therefore, there was no dilution impact on weighted average number of shares on the Company.

8 Dividends

No dividend was paid by the Company during the year ended December 31, 2021 (2020: nil).

Prior to the IPO, Beijing Zero2IPO Venture Information Consulting Co., Ltd. declared dividends of RMB30,000,000 for the year of 2019 to its shareholders in May 2020, which were fully paid.

9 Financial instruments by category

The Group holds the following financial instruments:

		As at December 31,	
		2021	2020
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets			
Financial assets at amortised cost	(a)		
– Accounts receivable	10	40,926	17,417
– Other receivables (excluding deductible input VAT)		7,338	3,413
– Cash and cash equivalents		427,861	403,059
Financial assets at FVPL			
– Investment in wealth management products (the “WMPs”)	(b)	122,563	84,882
		598,688	508,771
Financial liabilities			
Financial liabilities at amortised cost	(a)		
– Accounts payable	11	(1,353)	(3,912)
– Other payables (excluding employee benefits payables and other tax payables)		(2,457)	(17,639)
– Lease liabilities		(14,064)	(18,296)
		(17,874)	(39,847)

- (a) As at December 31, 2021 and 2020, the fair values of the financial assets and financial liabilities at amortised cost approximated their respective carrying amounts.
- (b) The WMPs were not principal guaranteed, and were therefore classified as financial assets as FVPL.

10 Accounts receivable

An aging analysis of the gross accounts receivable as at December 31, 2021 and 2020 based on date of recognition, is as follows:

	As at December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 90 days	30,718	12,257
90 days to 180 days	1,234	3,171
180 days to 360 days	9,632	1,902
360 days to 540 days	1,353	866
540 days above	574	1,179
	<u>43,511</u>	<u>19,375</u>
Gross carrying amount	<u>43,511</u>	<u>19,375</u>
Less: impairment provision	<u>(2,585)</u>	<u>(1,958)</u>
Total accounts receivable	<u>40,926</u>	<u>17,417</u>

11 Accounts payable

Aging analysis of the accounts payables as at December 31, 2021 and 2020 based on the date of recognition are as follows:

	As at December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 6 months	253	3,612
6 months to 1 year	1,100	–
1 to 2 years	–	300
	<u>1,353</u>	<u>3,912</u>

BUSINESS OVERVIEW AND OUTLOOK

Overview

We are an integrated service platform for equity investment industry, which provides data, marketing, investment banking and training services to participants in the equity investment industry. We offer a broad range of services through both online and offline channels for all participants in the equity investment industry, including investors, entrepreneurs, growth enterprises and government agencies.

In 2021, we rolled out PEDATA MAX, an upgraded SaaS-based version of our PEdata Database. In line with our business development, we also introduced our Zero2IPO Securities mobile application in 2021, a secondary market trading platform focusing on Hong Kong stock market, providing investors with a full range of trading services.

In addition, we maintained a proactive attitude towards the exploration of business opportunities and the optimization of business offerings. We upgraded our consulting services, which has been renamed as investment banking services, in 2021 leveraging our proximity to the Hong Kong capital markets as a listed company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), and successfully obtained licenses issued by the Hong Kong Securities and Futures Commission under the Securities and Futures Ordinance for conducting Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities. We believe that the new business will help us capture more business opportunities and further complement our integrated service platform for equity investment industry.

In the same year, we actively expanded our business in terms of geographical coverage and service portfolio. We scaled into an increasing number of cities with our comprehensive equity investment service offerings, among which the training services has grown the fastest.

Leveraging our diversified customer base and customer-oriented mindset, we offer a variety of online and offline services for government agencies, funds, enterprises and individual investors. Specifically, we provide a comprehensive portfolio of services aiming to facilitate industry-finance integration and enterprise innovation for local government agencies of 11 cities nationwide, including Nanjing, Xi’an, Ningbo, Sanya, Wuhan; and also provide consulting and fund-raising services for a number of well-established funds.

- **Data Services.** We enable convenient and easy-to-navigate access to industry data and informed decision-making through our PEdata Database and research report services, leveraging our extensive data resources as well as our robust data collection, analytics and research capabilities. As of December 31, 2021, our proprietary PEdata Database had a total of over 275,800 registered users.

Empowered by big data analytics and AI technologies such as deep learning and natural language processing, we rolled out PEDATA MAX, an upgraded SaaS-based version of our PEdata Database, to integrate multi-dimensional data of China's equity investment industry and provide timely, accurate and comprehensive professional data services for investors, entrepreneurs, growth enterprises and government agencies. We also compile customized reports to address our customers' specific information needs and support their strategic decision-making process, as well as provide periodic standardized research reports enabling industry participants to track, understand and analyze China's equity investment industry. In 2021, we compiled customized reports for approximately 165 customers.

- **Marketing Services.** We offer omni-channel marketing services through our online information platforms such as PEdaily and offline industry events, which also track industry trends and facilitate intra- and inter-industry networking. Our online information platforms offer high-quality content focused on China's equity investment industry. As of December 31, 2021, our online information platforms have accumulated over 2.3 million subscribers across our mobile applications, websites and major third-party platforms including WeChat, Weibo, Toutiao, NetEase and Sohu. The number of registered users, downloads and installs of PEdaily mobile application grew significantly in 2021, representing an over 30% increase compared with those in 2020. Our PEdaily also served a diversified customer base with its online advertising services, including an increasing number of renowned enterprises, which contributed to our business growth. We organize offline industry events, including Zero2IPO events and customized events, offering industry participants the opportunities to interact and socialize face-to-face. In 2021, we organized four offline Zero2IPO events, covering an aggregate of over 2,600 participants. We also organized 12 offline customized events in 2021, covering almost 3,000 participants.
- **Investment Banking Services.** We expanded and upgraded our consulting services, which has been renamed as investment banking services, in 2021. We not only connect early-stage entrepreneurs and growth enterprises with investors through our online investor-entrepreneur matching platform Deal-Market, but also assist them at their growth or later stages. With our dedicated offline services, we enable early-stage entrepreneurs and growth enterprises to capture business and financing opportunities, investors to identify appropriate investment targets, and government agencies to formulate targeted local economic development strategies. In 2021, we served approximately 145 customers with our offline services. Moreover, we provide entrepreneurs and growth enterprises with advisory services in private placements and mergers and acquisitions, and securities sponsorship and underwriting services for them to access public equity markets. We also offer trading, investment consulting and asset management services to investors. To that end, we have assembled a boutique investment banking team well-versed in the industry, committed to bridging together Chinese enterprises with overseas

capital markets. Among others, we rolled out our Zero2IPO Securities mobile application in 2021, a secondary market trading platform focusing on Hong Kong stock market. Zero2IPO Securities provides investors with a full range of trading services, including real-time quotes, online trading, IPO subscription, equity capital market information and financial information. We contributed over RMB13.0 million in launching the new business, which is expected to unlock new growth opportunities in various markets.

- **Training Services.** We offer a variety of equity investment-related online and offline training courses primarily through SandHill University, SandHill College and Investment College, targeting at a wide variety of audience including investment professionals, entrepreneurs, government officials, and college students seeking a career in the equity investment industry. We also provide customized training services targeting institutional customers, especially government agencies and large enterprises. Our training business grew rapidly in 2021. Specifically, we launched a series of industry-specific courses, including primarily Master courses with prominent industry investors as mentors and equity investment strategy courses, in addition to our regular course offerings at SandHill College.

Outlook

Looking forward, as a leading integrated service platform for equity investment industry in China, we will adapt to and capitalize on the new trends amidst the capital market reform. Specifically, we will steadfastly focus on big data technologies to refine our portfolio of five online products with PEDATA MAX as the core, and continue to enhance our online and offline service offerings, enrich our service coverage and expand our service scale, to provide more comprehensive, professional and valuable one-stop services for existing and new customers with our enduring dedication in China's equity investment service industry.

We believe with the development of China's capital market, the expansion of our business segments and the optimization of our business offerings, we will be able to expand our geographical coverage and customer base. Based on our accumulation of equity investment experiences and resources over the past 20 years, we aspire to assist an increasing number of Chinese enterprises in their exploration of the global capital markets.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Our revenue increased by 16.5% from RMB178.5 million in 2020 to RMB207.9 million in 2021, mainly contributed by (1) an increase in revenue generated from training services, which was in turn due to increases in course enrollments and unit prices of our training courses provided at SandHill College, and (2) an increase in revenue generated from investment banking services driven by the growth of the comprehensive services targeting local government agencies.

Cost of revenue

Our cost of revenue increased by 45.3% from RMB74.9 million in 2020 to RMB108.8 million in 2021, primarily due to (1) the increase in employee benefit expenses as a result of (i) the increased headcount to accommodate our business growth and expansion, and (ii) the discontinuation of government relief policies in 2021, which exempted or reduced our social insurance contribution during the COVID-19 outbreak in 2020, and (2) the increase in offline event costs, which is in line with the increased scale of our offline training services.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased by 4.3% from RMB103.6 million in 2020 to RMB99.1 million in 2021. Our gross profit margin decreased from 58.0% in 2020 to 47.7% in 2021, primarily because the increase in our revenue was outpaced by the increase in our cost of revenue as a result of the increased employee benefit expenses driven by (1) increased headcount, (2) the incurrence of share-based compensation expenses, and (3) the discontinuation of government relief policies in 2021, which exempted or reduced our social insurance contribution during the COVID-19 outbreak in 2020.

Data services

Our gross profit for data services decreased by 13.7% from RMB32.2 million in 2020 to RMB27.8 million in 2021. Our gross profit margin for data services decreased from 62.3% in 2020 to 50.3% in 2021, primarily due to an increase in employee benefit expenses as a result of (1) the increased headcount of our data service personnel to develop PEDATA MAX, and (2) the discontinuation of government relief policies in 2021, which exempted or reduced our social insurance contribution during the COVID-19 outbreak in 2020.

Marketing services

Our gross profit for marketing services decreased by 8.5% from RMB55.5 million in 2020 to RMB50.8 million in 2021. Our gross profit margin for marketing services decreased from 64.6% in 2020 to 60.9% in 2021, primarily because a large-scale customized event originally scheduled to be held in late 2021 was postponed to 2022 as a result of the recurrence of COVID-19.

Investment banking services

Our gross profit for investment banking services decreased by 9.4% from RMB10.6 million in 2020 to RMB9.6 million in 2021. Our gross profit margin for investment banking services decreased from 53.9% in 2020 to 34.2% in 2021, primarily because the increase in revenue generated from investment banking services was outpaced by the increase in cost of revenue in relation to investment banking services as a result of the increased employee benefit expenses driven by the expansion of our offline service team.

Training services

Our gross profit for training services increased significantly from RMB5.3 million in 2020 to RMB11.0 million in 2021. Our gross profit margin for training services remained relatively stable at 24.9% and 26.8% in 2020 and 2021, respectively.

Selling and marketing expenses

Our selling and marketing expenses increased by 9.1% from RMB16.5 million in 2020 to RMB18.0 million in 2021, primarily due to the incurrence of share-based compensation expenses to incentivize our sales and marketing force.

General and administrative expenses

Our general and administrative expenses increased by 41.8% from RMB39.5 million in 2020 to RMB56.0 million in 2021, primarily due to (1) the incurrence of share-based compensation expenses to incentivize our management and general administration team, and (2) the upfront expenses relating to the introduction of our new investment banking services in 2021.

Research and development expenses

Our research and development expenses increased by 93.3% from RMB8.9 million in 2020 to RMB17.2 million in 2021, primarily due to increases in employee benefit expenses and others in connection with the development of our PEDATA MAX and Zero2IPO Securities mobile applications. Technology and innovation are the core competencies of our Company. We believe that our new products will complement our existing business portfolio while enhancing our competitiveness and facilitating our continuous growth in the long run.

Income tax expense

Our income tax expense decreased by 14.3% from RMB7.7 million in 2020 to RMB6.6 million in 2021, primarily due to a decrease in profit before income tax.

Profit for the year

As a result of the foregoing, our net profit decreased by 63.4% from RMB31.4 million in 2020 to RMB11.5 million in 2021. Our net margin decreased from 17.6% in 2020 to 5.5% in 2021.

Adjusted net profit (non-HKFRS measure)

To supplement our consolidated financial statements which are presented in accordance with HKFRSs and consistent with the measures adopted by our industry peers listed on the Stock Exchange, we also use a non-HKFRS measure, adjusted net profit, as an additional financial measure, which is not required by, or presented in accordance with, HKFRSs. We believe that such non-HKFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management do not consider to be indicative of our operating performance. We believe that such measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of the adjusted net profit may not be comparable to similarly titled measures presented by other companies, as companies may not calculate adjusted net profit in the same manner. The use of such non-HKFRS measure has limitations as an analytical tool, because it does not reflect all items of income and expense that affect our operations. The item that is adjusted for may continue to be incurred and should be considered in the overall understanding and assessment of our operating performance. You should not consider adjusted net profit in isolation, or as substitute for analysis of, our results of operations or financial position as reported under HKFRSs. Adjusted net profit, as we present it, represents our profit for the year excluding the effect of listing expenses, share-based compensation expenses and government grants.

The following table reconciles our adjusted net profit, a non-HKFRS measure, presented to profit for the year under HKFRSs.

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Non-HKFRS measure:		
Profit for the year	11,467	31,448
Add: Listing expenses	–	24,964
Add: Share-based compensation expenses	27,356	–
Less: Government grants	(5,000)	–
Less: Adjusted income tax expense	(96)	(6,241)
	<hr/>	<hr/>
Adjusted net profit	<u>33,727</u>	<u>50,171</u>

Our adjusted net profit was RMB50.2 million and RMB33.7 million in 2020 and 2021, respectively. Our adjusted net profit margin was 28.1% and 16.2% in 2020 and 2021, respectively.

Liquidity and Capital Resources

In 2021, our primary uses of cash are to fund the daily operations of our business. We financed our capital expenditures and working capital requirements principally with net proceeds received in connection with the global offering of the Company (the “**Global Offering**”) and cash generated from our operations.

Our net current assets increased from approximately RMB413.8 million as of December 31, 2020 to approximately RMB483.9 million as of December 31, 2021. Our cash and cash equivalents increased from approximately RMB403.1 million as of December 31, 2020 to approximately RMB427.9 million as of December 31, 2021.

In order to manage liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our senior management to finance our operations and mitigate the effects of fluctuations in cash flows.

Exposure to Exchange Rate Fluctuation

Currently, all of our operations are in China with all of our transactions being settled in RMB. We did not experience any impact or difficulties in liquidity on our operations resulting from currency exchange and we made no hedging transaction or forward contract arrangement in 2020 and 2021. In this respect, we are not exposed to any significant foreign currency exchange risk. However, our management will closely monitor foreign exchange risk to ensure that appropriate measures are implemented in a timely and effective manner.

Capital Commitments

As of December 31, 2021, we had a capital investment commitment to an investee amounting to RMB1.8 million.

Contingent Liabilities

As of December 31, 2021, we did not have any material contingent liability, guarantee or any litigation or claim of material importance, pending or threatened against any member of our Group.

Future Plans for Material Investments and Capital Assets

Save as disclosed in the prospectus of the Company dated December 16, 2020 (the “**Prospectus**”) and this announcement, we did not have other substantial future plans for material investments and capital assets.

Significant Investments, Material Acquisitions and Disposals

During the Reporting Period, we invested in wealth management products to preserve the time value of our cash reserves. For details, please refer to the announcement of the Company dated August 5, 2021.

Save as disclosed above, the Group had no significant investment during the Reporting Period.

For the year ended December 31, 2021, we did not make any material acquisitions or disposals of subsidiaries or affiliated companies.

Charge on Group’s Assets

As of December 31, 2021, we had no charges on our assets.

Principal Risks and Uncertainties

COVID-19 outbreak

In 2021, the COVID-19 pandemic was to some extent alleviated in China. However, the regional COVID-19 resurgence and the emergence of new variants may continue to pose significant risks to the global economic recovery. The adverse impact of the pandemic on macroeconomic environment has led to loss of confidence by investors, which can take time to rebuild. As a result, our business prospect is subject to challenges and uncertainties for the coming year. Nevertheless, we are continuously monitoring the impact of the COVID-19 outbreak to respond to the changing situations surrounding the pandemic resurgence and further development.

Local governments in China implemented a series precautionary and control measures to contain the regional COVID-19 resurgence, which resulted in postponed offline training courses and offline industry events in certain cities, and therefore resulted in an impact of approximately RMB20.0 million on revenue in 2021. Driven by customers' growing demand from offline to online amidst the outbreak, we actively scaled our online services and organized several online training courses and online industry events as alternatives to offline. We believe that China will continue to drive the global economic growth in the post-pandemic era. Our management will continue to prudently evaluate our business operations while actively exploring new market opportunities in order to capitalize on the rapid growth of China's equity investment industry.

Credit risk

Our maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalents, accounts receivable, contract assets and wealth management products issued by banks carried at fair value through profit or loss. To manage this risk, our deposits are mainly with state-owned or other reputable financial institutions in China. There has been no recent history of default in relation to these financial institutions. Our wealth management products are issued by banks investing in low risk underlying assets, which mainly consist of bank deposits, central bank bills, local government debts, corporate bonds and debts with high credit ratings. Thus, our Directors are of the view that the expected credit loss related to cash and cash equivalents and wealth management products is immaterial.

Our exposure to credit risk is also influenced by the characteristics of each customer. We perform credit evaluation on customer's history of making payments and current ability to pay. We do not obtain collaterals from customers. As of December 31, 2020 and 2021, approximately RMB6.8 million and RMB24.9 million of our accounts receivable were due from top five debtors. Given our strong business relationship with these customers and the past credit record of these customers, our senior management does not expect any significant loss from non- performance of these customers. In addition, we do not provide any guarantee that would exposes us to credit risk.

Key Financial and Business Performance Indicators

The key financial and business performance indicators comprise profitability growth and return on equity. Details of our profitability growth are shown in the paragraph headed “Profit for the year” and “Adjusted net profit (non-HKFRS measure)” in this section of this announcement. Our return on equity decreased from 12.4% for 2020 to 2.4% for 2021, primarily due to the decrease in profit and the increase in our equity.

OTHER INFORMATION

Employees

The Group had approximately 327 employees as of December 31, 2021, as compared to approximately 243 employees as of December 31, 2020. For the year ended December 31, 2021, the Group incurred a total staff costs (including Directors’ emoluments) of RMB126.8 million. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

Remuneration of the Group’s employees includes salaries, performance-based cash bonuses and other incentives. As required under PRC laws and regulations, the Group makes contributions to social insurance fund, including pension, medical, unemployment, maternity and work-related injury, and to housing provident fund for the Group’s employees. The Group has adopted a training protocol, pursuant to which the Group provides pre-employment and regular continuing management and technical training to the Group’s employees.

We recognize the importance of keeping the Directors updated with the latest information of duties and obligations of a director of a company whose shares are listed on the Stock Exchange and the general regulatory and environmental requirements for such listed company. To meet this goal, we are committed to our employees’ continuing education and development.

Use of Proceeds

The ordinary shares of the Company (the “**Shares**”) were listed on the Stock Exchange on December 30, 2020. The net proceeds (after deduction of underwriting fees and commissions and related costs and expenses) received by the Company from the Global Offering amounted to approximately HK\$386.9 million, and an additional net proceeds of approximately HK\$66.0 million were received by the Company from the allotment and issue of Shares as a result of the full exercise of the over-allotment option (collectively, the “**Net Proceeds**”).

As of December 31, 2021, the Group had utilized the Net Proceeds as set out in the table below:

	Net Proceeds		Utilized amount during the year ended December 31, 2021 <i>HK\$ in million</i>	As of December 31, 2021		Expected timeline for the use of unutilized proceeds
	Percentage	Amount		Utilized amount	Unutilized amount	
	<i>%</i>	<i>HK\$ in million</i>		<i>HK\$ in million</i>	<i>HK\$ in million</i>	
To expand geographical coverage in China	39.4	178.4	45.7	45.7	132.7	By December 2023
To improve offline service offerings and capture the industry trend toward online-offline integration	9.8	44.4	9.8	9.8	34.6	By December 2022
To upgrade online platforms and enrich online service offerings	5.8	26.3	8.3	8.3	18.0	By December 2022
To enhance sales and marketing efforts	9.9	44.8	8.1	8.1	36.7	By December 2022
To scale services into overseas emerging markets, such as Southeast Asia and India, in order to capture significant growth opportunities	5.6	25.4	–	–	25.4	By December 2022
To selectively pursue investment and acquisition opportunities	20.0	90.6	12.1	12.1	78.5	By December 2022
To be used for additional working capital and other general corporate purposes	9.5	43.0	7.0	7.0	36.0	By December 2022
Total	100.0	452.9	91.0	91.0	361.9	

Note: The inconsistency between the sum of the numbers in the above table is due to rounding.

There has been no change in the intended use of Net Proceeds in the manner as described under the section headed “Future Plans and Use of Proceeds” in the Prospectus, and the Group will apply the remaining Net Proceeds in the manner set out in the Prospectus.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association of the Company, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

Purchase, Sale or Redemption of the Company's Listed Securities

During the Reporting Period, the Company repurchased a total of 1,855,600 Shares at an aggregate consideration of approximately HK\$7.32 million on the Stock Exchange in order to reflect the Company's confidence in its long-term business prospects and to enhance the value of the Shares thereby improving the return to shareholders of the Company. The details of the repurchase of such Shares are set out as follows:

Month of repurchase	Number of Shares repurchased	Maximum price paid per Share (HK\$)	Minimum price paid per Share (HK\$)	Total consideration (HK\$'000)
October 2021	84,800	4.00	3.84	333
November 2021	1,154,400	4.38	3.74	4,684
December 2021	616,400	3.98	3.54	2,303
Total	1,855,600			7,320

Among the 1,855,600 Shares so repurchased, 1,630,000 Shares were cancelled as at the date of this announcement and the issued share capital of the Company was reduced by the nominal value thereof, and the Company is dealing with the cancellation procedures of the remaining 225,600 Shares so repurchased.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

Final Dividend

The Board has resolved not to recommend payment of any final dividend for the year ended December 31, 2021.

Annual General Meeting (the "2022 AGM")

The 2022 AGM will be held on May 18, 2022. A notice convening the 2022 AGM will be published and dispatched to the shareholders of the Company in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") in due course.

Closure of the Register of Members

For determining the entitlement to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Friday, May 13, 2022 to Wednesday, May 18, 2022, both days inclusive, and during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2022 AGM, unregistered holders of Shares should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on Thursday, May 12, 2022.

Sufficiency of Public Float

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this announcement, the Company has maintained the public float as required under the Listing Rules.

Compliance with Corporate Governance Code

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 14 to the Listing Rules as its own code to govern its corporate governance practices.

In the opinion of the Directors, the Company has complied with all code provisions contained in the CG Code during the Reporting Period, save for deviation from code provision A.2.1 (which has been re-arranged as code provision C.2.1 since January 1, 2022) of the CG Code.

Code provision A.2.1 of the CG Code stipulates that the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. The roles of the chairman and chief executive officer of the Company are held by Mr. NI Zhengdong. The Board believes that vesting the roles of both chairman and chief executive officer in Mr. NI Zhengdong has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. In light of the above, the Board considers that the deviation from code provision A.2.1 of the CG Code is appropriate in the circumstances of the Company.

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended December 31, 2021.

The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

Compliance with the Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the Reporting Period.

The Group’s employees, who are likely to be in possession of inside information of the Group, are also subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the employees was noted by the Company.

Audit Committee and Review of Financial Statements

The Audit Committee comprising three independent non-executive Directors, namely Ms. YU Bin (being the chairwoman of the Audit Committee), Mr. XU Shaochun and Mr. ZHANG Min, has reviewed with the management of the Company the consolidated financial statements of the Company for the year ended December 31, 2021. The Audit Committee has also reviewed the accounting policies and practices adopted by the Company and discussed matters in relation to, among others, risk management, internal control and financial reporting of the Group with management and the Company’s auditor. Based on this review and discussions with the management, the Audit Committee was satisfied that the Group’s consolidated financial statements were prepared in accordance with applicable accounting standards and fairly present the Group’s financial position and results for the year ended December 31, 2021.

Auditor’s Procedures Performed on this Results Announcement

The figures in respect of the Group’s consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto in this results announcement of the Group for the year ended December 31, 2021 have been agreed by the Company’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this results announcement.

Subsequent Event

There were no other significant events that might affect the Group subsequent to the year ended December 31, 2021.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.zero2ipo.cn). The annual report of the Company for the year ended December 31, 2021 will be dispatched to the Shareholders and published on the aforesaid websites in due course.

APPRECIATION

On behalf of the Board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all our Shareholders, customers, bankers and other business associates for their trust and support.

By Order of the Board
Zero2IPO Holdings Inc.
NI Zhengdong
Chairman and Chief Executive Officer

Beijing, the PRC, March 17, 2022

As at the date of this announcement, Mr. NI Zhengdong, Ms. FU Xinghua and Ms. ZHANG Yanyan are the executive Directors; Mr. KUNG Hung Ka is the non-executive Director; and Mr. XU Shaochun, Mr. ZHANG Min and Ms. YU Bin are the independent non-executive Directors.